GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:653
ANSWERED ON:10.05.2002
DIRECTORS OF BANKS
CHANDRA NATH SINGH;SUKDEO PASWAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Directors of some Regional Rural Banks/co-operative bankshave been found to have diverted the depositors` money for personal use in the share market and other activities;

(b) if so, the details of such banks, State-wise;

(c) whether the RBI has imposed penalties against such banks for violating the rules;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b),(c), (d)) and (e) : A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a), (b), (c), (d) and (e) of the Lok Sabha Starred Question NO.653 for 10th May, 2002 regarding Directors of Banks tabled by Shri Sukdeo Paswan and Shri C.N. Singh.

(a) & (b): National Bank for Agriculture & Rural Development(NABARD) undertakes statutory inspection of Regional Rural Banks (RRBs) and Co-operative Banksonce in two years under section 35(6) of Banking Regulation Act, 1949 (AACS).NABARD has reported that during the course of inspection they have not found any instance wherein the Directors of RRBs/Central Co-operative Banks (CCBs) have diverted thedepositors` money for personal use in the share market. However during the course of statutory inspection of the Nagpur District Central Co-operativeBank (NDCCB) conducted with reference to the financial position of theBank as on 31st March, 2001 it was observed that the NDCCB has notfollowed the guidelines of the Reserve Bank of India (RBI) for conduct of trading in Government securities.

(c),(d) and (e) : NABARD have reported that the findings of the inspectionof NDCCB has been forwarded to RBI and Commissioner for Cooperation and Registrar of Cooperative Societies, Government of Maharashtra forinitiating appropriate action. RBI has reported in this regard that they have initiated action to supersede the Bank`s Board and an administrator has beenappointed for the Bank. The Registrar of the Cooperative Societies in Maharashtra has been advised to conduct special audit of investment transaction of all State and District Central Co-operative Banks in the State.